Disclosure Practices of Global Reporting Initiatives (GRI) for Sustainability Reporting In India: A Study of Selected Indian Companies

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SYNOPSIS

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Introduction

The **Global Reporting Initiative** (GRI) produces one of the world's most prevalent standards for Sustainability Reporting. It is also known as Ecological Footprint reporting, Environmental Social Governance (ESG) reporting, Triple Bottom Line (TBL) reporting, Corporate Social Responsibility (CSR) reporting. Sustainability Reporting is a form of value reporting where an organization publicly communicates their economic, environmental, and social performance. GRI provides guidelines for making sustainability reporting to all organizations as routine as, and comparable to, financial reporting. GRI Guidelines are widely accepted. More than 4,000 organizations from 60 countries use the GRI guidelines to make the sustainability reports.

Global Reporting Initiative (GRI) is an initiative at the global level which provides Standardize non-financial reporting guidelines (NFR). GRI is a long term, multi-stakeholder, international process whose aim is to develop and disseminate globally applicable sustainability reporting guidelines. The purpose of the GRI is to provide standardized guidelines for sustainability reporting which can help the organizations to report their economic, environmental and social activities. It is designed for use by organizations of any size, sector, or location. It takes into account the practical considerations faced by a diverse range of organizations – from small enterprises to those with extensive and geographically dispersed operations. The GRI Reporting Framework contains general and sector-specific content that has been agreed by a wide range of stakeholders around the world to be generally applicable for reporting an organization's sustainability performance.

History of Global Reporting Initiatives (GRI)

GRI is now a permanent and independent organization, which includes distinguish Board of Directors, and Global Headquarters in Amsterdam, Netherland. The board has fiduciary, financial and legal and overall strategic responsibilities regarding GRI. In 1977 the GRI was

started by the United States which was based on non-profits Ceres. (Formerly the Coalition for Environmentally Responsible Economies) and Tellus Institute, with the support of the United Nations Environment Programme (UNEP) in 1997. It released an "exposure draft" version of the Sustainability Reporting Guidelines in 1999, the first full version in 2000, the second version was released at the World Summit for Sustainable Development in Johannesburg – where the organization and the Guidelines were also referred to in the Plan of Implementation signed by all attending member states. Later that year it became a permanent institution, with its Secretariat in Amsterdam, Netherlands. Although the GRI is independent, it remains a collaborating centre of UNEP and works in cooperation with the United Nations Global Compact.

Global Reporting Initiatives (GRI) in Indian Scenario

India is a developing and newly industrialized country and it is a key market for increasing the practice of sustainability reporting. GRI can help to change the sustainability reporting landscape and improve overall transparency. Since the Focal Point was established, the number of reporters in India has also grown. With the help of GRI focal point India, the Indian corporations can shape their GRI's continuously developing Sustainability Reporting Framework point as well as standards.

The GRI Focal Point India was established in January 2010, and it is hosted by the German International Corporation, India (GIZ) until December 2013. The Focal Point has advised GIZ on the development of National Voluntary Disclosure Frameworks as part of the Indian Institute of Corporate Affairs and German International Corporation, India (IICA-GIZ) Corporate Social Responsibility Initiative, which facilitated the developmental process of the National Voluntary Guidelines which was launched by the Ministry of Corporate Affairs in 2011. Focal Point India works as the heart of the CSR and sustainability landscape in India. The Focal Point has an important strategic collaboration with the IICA, an independent think tank under the Ministry of Corporate Affairs, Government of India through the IICA-GIZ CSR initiative.

The Focal Point maintains close working and collaborative engagements through Capacity Building, Policy Advocacy, Research and Consultations with Ministries, Regulators, Business, Industry Associations, Financial Market Players, B-Schools and Civil-Societies from India and South Asia. The Indian Focal Point also has a strategic collaboration with the South Asian Federation of Accountants (SAFA). SAFA has member bodies from both the accounting and the

cost and works institutions of each of the South Asian countries of India, Pakistan, Sri Lanka, Nepal, Bangladesh, and the Maldives. GRI's Focal Point India also contributed to the South Asian agenda by collaborating with ACCA, Sri Lanka, CIM Sri Lanka, ICAB, Bangladesh, and CSR Centre for Bangladesh.

Review of Literature

Review of literature is the backbone of the whole research work and it creates background for selection of procedure, helps the researcher in adoption of tools and provides comparative data. It shows the originality and relevance of research problem.

National Reviews

Singh Rakhi, Tandon Deepak., (2011) have conducted the study on *"Corporate Social and Environmental Reporting and Disclosures: The Indian Banking Experience"* The paper identifies gray areas for future research in the Indian Banking context. The paper clarifies the main strands of debate that not much work is available on CSR reporting, however, after the introduction of GRI Guidelines in the last one decade or so, many companies have started bringing out sustainability reporting in standardized format for the benefit of the stakeholders; this is just a beginning since the GRI Reporting Guidelines are being subscribed on a voluntary basis.

Dutta Sumanta., (2011) has carried out research on *"Triple Bottom Line Reporting: an innovative accounting initiative",* researcher provides a comparative study of GRI (Global Reporting Initiative) reporting, based on 19 Indian companies along with Karmayog. They show that, presently nineteen companies in India are following GRI based sustainable reporting practices. It also shows that the evaluation and auditing are carried out either by a third party following GRI standards or self declared or GRI checked. Over the decades, through sustainability reporting an organization discloses the non-financial performance of an organization & its impact on the economy at large. Public disclosure of sustainability information also indicates a company's ability to monitor & manage the risks & fruitful utilization of the opportunity associated with GRI or G3 sustainability parameters.

Dutta Sumanta., (2012)., has worked on "*Triple Bottom Line Reporting: An Indian Perspective"* The main objective of the study has been made an attempt to highlight how the TBLR implementation is taking place in with special reference GRI initiative. Corporate Sustainability is of utmost important for the survival of organizations and their future generations' stakeholders. Hence, Triple Bottom Line Reporting (TBLR) is considered to be a sine qua non for corporate growth on a sustained basis. Triple Bottom Line Reporting (TBLR) goes beyond the traditional way of reporting mechanism and encourages businesses to give closer attention to the whole impact of their commercial activities, over & above their financial performance.

I. International Reviews

Alan Willis., (2003) studied on *"The Role of the Global Reporting Initiative's Sustainability Reporting Guidelines in the Social Screening of Investments"* The study focuses to maximize the usefulness of the GRI Guidelines, report users, including the SRI community, need to be engaged in the process of developing and refining the Guidelines time to time. The GRI Guidelines are emerging as an important instrument in enabling companies to communicate with their stakeholders about performance and accountability beyond just the financial bottom line.

Clay Van., (2004) has conducted the research on *"The Triple Bottom Line and Impact Assessment: How do TBL, EIA, SIA, SEA and EMS relate to each other?* The researcher found that TBL was very similar to issues faced by the social impact assessment (SIA) in its connections with biophysical environmental impact assessment (EIA). He also pointed out that firm advocating TBL are ignorant of SIA and other forms of impact assessment. He considered TBL as a fad.

Ho and Taylor., (2007) wrote the article on *"An Empirical Analysis of Triple Bottom Line reporting and its determinants: Evidence from the United States and Japan"* The article reported disclosures of 50 of the largest US and Japanese companies based on GRI (The Global Reporting Initiative) reporting Guidelines. He came out with a result which reflects

that, the extent of reporting is higher for firms with larger size, lower profitability, and lower liquidity and for firms with membership in the manufacturing Industry.

Guenther Edeltraud, Hoppe Holger, Poser Claudia., (2007) have worked on *"Environmental Corporate Social Responsibility of Firms in the Mining and Oil and Gas Industries: Current Status Quo of Reporting Following GRI Guidelines***"** In this paper they analyzed the current status quo of environmental reporting as an element of corporate social responsibility (CSR), as it relates to firms from the mining and oil and gas industries in keeping with the 35 indicators proposed by the Global Reporting Initiative (GRI) . As a result, an overview of the current reporting practices of mining and oil and gas companies can be derived and specific shortcomings identified.

Guthrie James, Farneti Federica.,(2008) have conducted research on *"GRI Sustainability Reporting by Australian Public Sector Organizations"* In this article an attempt has been made to analyzed voluntary sustainability reporting practices in seven Australian public sector organizations which use the Global Reporting Initiative (GRI**)** guidelines. Reporting practices are diverse and the use of the GRI public agency supplement fragmented, with the annual report being only one of several media used by organizations for sustainability disclosures.

Lorenzo Prado, Manuel José, Domínguez Rodríguez, Luis., (2009) have studied on *"Factors influencing the disclosure of greenhouse gas emissions in companies world-wide"* In this paper they analyzed the disclosure of greenhouse gas emissions and other information of importance to climate change in companies from different countries, some of which have ratified, approved, adhered to or accepted the Kyoto Protocol, and some of which have still not accepted it. The results obtained show a direct relationship between corporate size, its market capitalization and the disclosure of information in addition to proposed Global Reporting Initiative **(**GRI**)** indicators on greenhouse gas emissions.

Ramona Dzinkowski., (2009) has wrote the article on *"Dealing with disclosure"* The article provides information on the disclosures in financial statements which adopt the International Financial Reporting Standards (IFRS) for uniform accounting treatments of environmental

assets and liabilities. It states that the Global Reporting Initiative (**GRI**) continues to formulate performance metrics and new accounting guidelines. It adds that the International Federation of Accountants (IFAC) has developed materials and guidance for accountants to manage their reporting strategies.

Sean, Gilbert., (2009) worked on *"New GRI guidelines."* In their study the author reports on the guidelines issued by the Global Reporting Initiative **(**GRI**)** to present the companies' environmental, social and governance (ESG) disclosure to investors. It states that GRI director Sean Gilbert has said that investors are seeking ESG information to base their investment decisions. It adds that the ESG data must be consistent with the company's strategy and performance related to the environment, social and governance issues.

Dingwerth, K., (2010) has worked on "*Tamed Transparency: How Information Disclosure under the Global Reporting Initiative Fails to Empower"* The author focuses that the relationship between transparency and empowerment is conflictual at all four levels of activity examined in this article: in the rhetoric and policies of the GRI as well as in the actual reporting practice and in the activities of intermediaries in response to the organization's disclosure standard.

Etzion Dror & Ferraro Fabrizio, (2010) have wrote the article on *"The Role of Analogy in the Institutionalization of Sustainability Reporting."* In their article author studied institutional entrepreneurship in an emergent field by analyzing the case of the Global Reporting Initiative (GRI) and its efforts to purposefully institutionalize the practice of sustainability reporting. They suggest that analogies affect institutionalization processes through two mechanisms. In the early stages of institutionalization, analogy operates primarily as a normative mechanism, and adoption is driven mainly by an instrumental logic. This theoretical contribution helps explain how analogies to existing institutional practices can both provide legitimacy to novel institutions and constitute the basis for a creative process of institutional design.

Despina G, Efthymios G, Antonios S., (2011) have carried out the study on *"Company Characteristics and Environmental Policy"* The Author investigates the relationship between various firm characteristics and environmental disclosures .Findings evidence that firms with higher environmental ratings present a statistically significant larger size, belong to more environmentally sensitive industries as compared with firms with lower environmental ratings and disclose environmental information according to GRI guidelines. However, neither profitability nor listing status seems to explain differences in environmental disclosure practices between Greek companies. This study adds to the international research on environmental disclosure by providing empirical data from a country, Greece, where empirical evidence is still relatively unknown, extending the scope of the current understanding of the environmental reporting practices

Boolaky, P. Krishansing., (2011) have studied on *"Global Reporting Initiatives (G3), Standard Disclosures for Human Resource Practices: Compliance and Determinants in the Financial Services Sector: Europe, Asia and Others"* In this paper issue have been raised on compliance of practices with G3 because it is considered as a generally acceptable reporting framework by many organizations around the world and expects firms to provide consistent and comparable information in sustainability reports. Findings of this study would be useful to potential employees, trade unions as well as national regulators and international organizations such as the International Labour Organizations (ILOs) and the OECD. This study also infers that good corporate communication on HRP maintains good labour/employer relationship.

Clarkson, Peter M, Overell, Michael B, Chapple, Larelle, (2011) In their research *on "Environmental Reporting and its Relation to Corporate Environmental Performance"* examines how both the level and the nature of environmental information voluntarily disclosed by Australian firms relate to their underlying environmental performance. Disclosure is scored using an index developed based on Global Reporting Initiative (GRI) Guidelines and the environmental performance measure is based on emission data available from the National Pollutant Inventory (NPI).

Verschoor & Curtis C., (2011) has worked on *"Should Sustainability Reporting be integrated?"* The article discusses the aspects of sustainability reporting integration and the development of the Sustainability Reporting Framework by the Global Reporting Initiative (GRI). The author mentions that the framework is considered the most widely used framework for reporting performance on corporate citizenship issues including human rights, anticorruption and environmental. He adds that the Guidelines contain principles for the defining the report content, as wells as for ensuring the quality of the report. However, the global integrated initiative is likely to find little traction in the U.S.

Need of the study

Reporting on sustainability performance is an important way for organizations to manage their impact and sustainable development. In the present environment there is an immense challenge of sustainable development and it is widely accepted that organizations have not only a responsibility but also a great ability to exert positive change on the state of the world's economic, environmental and social conditions. A Disclosure of information in public domain leads to greater transparency and accountability. The present study has thus been undertaken with a view to analyze whether Global Reporting Initiative (GRI) voluntary reporting framework enables greater organizational transparency and accountability about economic, environmental, social and governance performance.

Objectives of the study

The study will be conducted to achieve the following objectives:-

1. To examine and analyze the reporting framework of Global Reporting Initiative (GRI).

2. To examine and analyze the standard disclosure practices of Global Reporting Initiative in respect to profile disclosures in the selected units.

3. To examine the standard disclosure practices of Global Reporting Initiative in respect to management approach in the selected units.

4. To examine and analyze the standard disclosure practices of Global Reporting Initiative in respect to performance indicators in selected units.

5. To develop a Global Reporting Initiative (GRI) score card of the selected units.

Research Methodology

❖ Sampling Technique

There are only 43 companies in India which provides sustainability reports with some reference to Global Reporting Initiatives (GRI). These 43 companies can be broadly classified into following sectors.

Sr. No.	Sector	No. of companies
1	Construction	2
2	Metals Products	2
3	Chemicals	3
4	Logistics	1
5	Construction Materials	3
6	Agriculture	1
7	Conglomerates	7
8	Energy	3
9	Automotive	4
10	Financial Services	3
11	Textiles and Apparel	1
12	Mining	4
13	Computers	3
14	Healthcare Products	1
15	Energy Utilities	1
16	Food and Beverage Products	1
17	Equipment	1
18	Commercial Services	1
19	Other	1

Conglomerates sector has larger numbers of companies hence, companies under this sector have been taken into consideration. For the selection of the companies the following criteria will be adopted:-

- Companies who have commenced their sustainability reporting during the period from 2004 to 2008.
- Companies will be ranked on the basis of their average profit (EBIT) for the three years commencing from 2009-10 to 2011-2012.

❖ Collection of Data

The study will primarily base on secondary data. The Secondary data will be collected from reports and researches published in journals, magazines, news papers, web sites periodicals, Annual Financial Reports, Corporate Sustainability Reports, Environmental Reports, Health and Safety Reports, Social Reports, and other reports of selected companies.

❖ Tools for Analysis

For achieving the above mentioned objectives and for analyzing sustainability reports, various statistical tools will be used. Along with these statistical tools various mathematical tools like percentage will be used for analyzing reports. Graphical and tabular mode will also be used for presentation of information. The researcher may also adopt few other statistical tools during the course of study.

❖ Duration of Study

The data will be considered for a period of three years commencing from financial year 2009-10 to 2011-2012.

❖ Specific Methodology

Following table reveals the specific methodology which will be used to fulfill the objectives:

S. No.	Objectives	Methodology
1.	To examine the reporting framework of Global Reporting Initiative (GRI).	In order to examine the reporting framework of GRI an examination of Sustainability Reporting Guidelines, Sector Supplement, National Annexes and Technical Protocol will be carried out.
2.	To examine and analyze the standard disclosure practices of Global Reporting Initiative in respect to Profile Disclosures in the selected units.	Standard Disclosure Practice of GRI as regard to Profile Disclosure will be examined on the parameters viz, Strategy and Analysis, Organizational Profile, Report Parameters, Governance Commitments and Engagement. For this purpose various provisions as regard to these parameters will be examined through preparation of Checklist.
3.	To examine and analyze the standard disclosure practices of Global Reporting Initiative in respect to Management Approach in the selected units.	Standard Disclosure Practice as regard to Management Approach will be examined on the parameters viz, Management Approach towards Economic, Management Approach towards Environment and Management Approach towards Social factors. Each parameter will be examined on various aspects through Checklist.
4.	To examine and analyze the standard disclosure practices of Global Reporting Initiative in respect to Performance Indicators in the	Standard Disclosure Practice as regard to Performance Indicators will be examined on the parameters viz, Economic, Environment, and Social each of this parameter will be

	selected units.	further examined on various aspects.
5.	To develop a Global Reporting Initiative (GRI) score card of the selected units.	A score card will be developed based on the parameters of Performance Indicators to rank the company on the basis of their performance.

❖ Proposed Chapter Plan

Chapter Number	Chapter Name
Chapter-I	Introduction
Chapter-II	Global Reporting Initiatives (GRI) Framework
Chapter-III	Global Reporting Initiatives (GRI) Standard Disclosure Practice – Profile Disclosures
Chapter-IV	Global Reporting Initiatives (GRI) Standard Disclosure Practice – Management Approach
Chapter-V	Global Reporting Initiatives (GRI) Standard Disclosure Practice – Performance Indicators
Chapter-VI	Conclusion and Suggestions

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